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Remarks:

Attached is the DDI/OCI checklist discussed at our 12 August session with the Director. In handing it to me, Dick Lehman stressed that it is a "laundry list," as indeed it is. While all of you are perusing it, I will attempt to ascertain from the DCI precisely what further input and collective wisdom he wants from us prior to the next WSAG and/or NSC meeting.

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George A. Carver D/DCI/NIO
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D/V/S Chou

I. AREAS OF INSTABILITY AND PROBLEM AREAS

The Sino-Soviet Border: Tension is higher than normal because of a series of local incidents, including the downing some months ago of a Soviet helicopter over Chinese territory. Neither side seems to expect a major blow-up and both are playing the border in relatively low key.

China: The anti-Confucius campaign, a major power struggle over what policies and leaders are to succeed Mao Tse-tung, is stalemated. Madame Mao and the "leftists" have failed in repeated efforts to turn the campaign aside. Premier Chou En-lai and the moderates have imposed a tight clamp on potentially disruptive activities, but have not mustered enough strength to push the campaign to a conclusion. The Premier is convalescing from a heart ailment but appears very much in charge of day-to-day affairs.

Vietnam: We expect the Communists to be testing South Vietnamese forces in some heavy local engagements through the remainder of this year. We do not expect an all-out Communist offensive. Nevertheless, Hanoi can resume major warfare in the South with little warning and may be prompted to do so if it perceives a significant weakening in Saigon's military and economic position. The level of next year's economic and military aid packages for South Vietnam could be a major problem area for the administration as well as a source of worry for Saigon.

Cambodia: The new administration's major problem could be in obtaining Congressional approval for a continuation of the substantial aid necessary to keep the Lon Nol government afloat. The military stalemate will hold up for the rest of the year. There is not sign that Phnom Penh will be able to reassert its authority in the countryside, which is now largely controlled by the Khmer Communists. If, as now seems possible, Phnom Penh loses its UN seat to Sihanouk's exile government this fall, a compromise will be placed even further out of reach.

Laos: There is a potential for instability, but the coalition government remains intact even without the strong hand of ailing Prime Minister Souvanna. Communist influence in the

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coalition is increasing, however, and this could eventually cause an upheaval from the conservative side.

Australia: Prime Minister Whitlam's continuing troubles with the Labor Party's left wing are complicating his efforts to solve serious economic problems. Preoccupation with the domestic scene, however, has kept the leftists from focusing on the matter of US defense installations.

Philippines: The past two years of martial law have brought political stability to the Philippines with the noteworthy exception of the Muslim areas in the south where anti-government insurgents have increased military activity in recent months. Fighting is a drain on military and economic resources needed elsewhere in the nation. Since Marcos has accused Malaysia of supporting the rebels, the insurgency also adversely affected regional cooperation.

Korean Border: There has been an increase in tension between North and South since last October, expressed most seriously in a more aggressive North Korean defense of its sea, and air frontiers. Additional shooting incidents in disputed waters or in airspace near the North-South border can be expected without warning. But it is unlikely that either side will initiate any major aggressive military action in the foreseeable future.

South Korea: President Pak has stepped up efforts to suppress internal political criticism. Pak risks alienating his political and military supporters if he continues his present approach. This could lead to the toppling of his regime and a period of domestic turmoil.

Western Europe--Berlin: The Soviets have recently demonstrated that they are willing to interfere with traffic to West Berlin in order to make a political point. This could happen again, although the particular controversy--the West German Federal Environmental Office--that provoked the latest incidents seems to have subsided.

Yugoslavia: Despite Tito's attempts to pre-arrange the orderly transfer of power by revitalizing the Party and embodying Titoist socialism in the new constitution, the succession problem is far from settled. The prospects for a smooth transition are good, but the country's future will depend on how well his successors work together, whether the federation can survive the strains of regional animosities, and on the maintenance of fundamentally good relations with the Soviet Union.

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Romania: Bucharest's continuing attempts to stonewall Soviet initiatives and to carve out even more independence in foreign affairs could bring on increasing pressure from Moscow over the coming months.

Libya-Egypt: Sadat has escalated Egypt's propaganda-and-pinprick exchanges with Libya to an open attack on Wadhafi, and is withdrawing all Egyptian armed forces and advisory personnel.

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Palestinian Terrorism: Radical fedayeen elements will continue to attack Israelis and Westerners, and may yet carry out threats to assassinate moderate Arab leaders.

Jordan: Perceived failures in Jordanian foreign policy and long-standing domestic grievances have eroded discipline in the Jordan Arab Army. Action or agitation to remove unpopular military and civilian leaders is a growing possibility.

Iraq: The Kurdish rebellion is tying down the bulk of the Iraqi army in the north, with no end to the fighting in sight. The rebellion appears to be fueling public hostility toward the regime and dissension among the leadership in Baghdad; it also complicates Iraq's already strained relations with Iran, the Kurds' principal source of support.

Southern Arabian Peninsula: The radical regime in South Yemen, which supports a guerrilla war in neighboring Oman, is getting increasing attention from both the Soviet Union and moderate Arab states. Moscow apparently is upping its economic and military commitment to South Yemen, while Egypt and Saudi Arabia are holding out promises of large-scale assistance aimed at ending Aden's dependence on the Soviet bloc and encouraging more moderate policies.

Horn of Africa: The Ethiopian government will be pre-occupied with domestic instability for some time and will continue to be concerned that Somalia will take advantage of

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the confusion and attempt to grab a portion of Ethiopian territory. Addis Ababa, believing that Soviet arms supplies have given Somalia the military edge, will continue to press the US for more military aid.

Spanish Sahara: Morocco has launched a major effort to force Spain to relinquish its colonial control. King Hassan is seeking broad Arab support and may try to involve the US.

Indo-Pakistani Relations: Twenty-five years of recurrent tensions, including three wars, leave the future uncertain. Leaders of both nations claim they want to change the pattern and negotiations have been sputtering along since 1972 in an effort to re-establish commercial and diplomatic ties.

Pakistani-Afghan Relations: Tension has grown again since Daoud took power in July 1973 following a coup d'etat. The primary issue is Kabul's refusal to recognize the border with Pakistan and its support of autonomy or independence for the Pushtun minority inhabiting the border area in Pakistan.

South Asian Economic Problems: India, Bangladesh and Sri Lanka find it difficult to feed their rapidly growing populations and all seek major aid. Bangladesh appears to be in the most serious condition, with socio-economic problems likely to lead to political instability.

Indian Ocean-Persian Gulf: Although not an area of political instability, the Indian Ocean region has been given increasing attention by the Soviet Union and the US. The region could become the focus of great power rivalry, much to the concern of the region's littoral states. Iran has indicated its interest in expanding its role in the Indian Ocean.

Portuguese Territories: US relations with the Portuguese overseas territories have been a state of flux since Lisbon declared its intentions to grant them independence. The liberation movements in Mozambique and Angola are competing for dominance in their respective areas and in varying degrees and indicating a desire to have closer relations with us. They would like more US aid, now that we have permitted closer US contacts with them, and probably would like our help to counter-balance Communist influence already present in many of the groups after years of receiving Communist military assistance.

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Portugal: The coup last April swept away all traces of an authoritarian government that had run Portugal for 48 years and installed a provisional government that permits the political freedom enjoyed by most European states and that is in the process of negotiating a decolonization in Africa. The political left continues to agitate for increased privileges, however, and the remainder of the Portuguese establishment is growing increasingly impatient with what it regards as an abuse of civil liberty. The solution of this problem will determine whether Portugal has a smooth transition to democracy or returns to some new form of authoritarian rule.

Spain: Events in Portugal and the declining health of General Franco have focused attention on the transfer of power after the departure of the man who has ruled Spain for almost four decades. Pressures for the liberalization of Franco's system will increase after he is gone, but the degree of change will depend ultimately on the military, the most powerful element in Spain.

Italy: Economic problems of avalanche proportions and recent reversals at the ballot box have weakened the position of the dominant Christian Democratic party. There does not seem to be any working alternatives to the present center-left coalition although there are indications that it will allow the Communist Party, which is technically an opposition party, more of a voice in the decision-making process. The extreme right may respond to such a prospect with increased incidents of political violence.

Cyprus: The overthrow of Archbishop Makarios has triggered a series of events which has produced repercussions that go beyond the conflict between the Greek and Turkish communities on the island. A formulation that will allow the Turkish and Greek Cypriot populations to live in peace probably will continue to be elusive particularly since the Turkish side--buoyed by its military victories--probably will insist on greater rights than their 20 percent minority would seem to justify.

Turkey: The success Ankara has had to date in the Cyprus crisis has stimulated a rising tide of nationalistic fervor in Turkey that could spill over into other Greek-Turkey disputes. Turkey's political leaders are not in a mood to make concessions but they seem to prefer a negotiated settlement.

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The military, however, may be more aggressive. Ankara's decision to return to opium poppy production carries the threat that large quantities of illegal narcotics will again enter the international traffic from this source.

Greece: The newly installed Karamanlis government also wants a negotiated settlement so it can begin to work on the many other problems that beset Greece. If the negotiations drag on and Greeks forget that it was the junta that precipitated this problem, or if the Turks attempt a new military venture, Karamanlis' plans to revitalize Greek political life will be delayed.

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Northern Ireland: Unless a formula like the power-sharing concept can be introduced in Ulster, the resentment that has produced violence for the past five years will continue. If the British withdraw their security forces, thereby allowing large-scale clashes between Protestant and Catholic extremists, the Republic could be drawn into the conflict and a very bloody north-south civil war could result.

Argentina: There is a strong possibility that Mrs. Peron will be unable to bear up under the pressures of the Argentine presidency. If this happens, she may either step down as president or remain as a figurehead only.

Chile: The military government is facing severe economic problems that are bound to arouse public dissatisfaction. There is also a well organized anti-junta propaganda campaign pointed at Chile from abroad that provides another unsettling political factor.

Peru: The radical leaders in the military government are becoming more dominant and more willing to institute repressive measures. If this trend continues, political unrest will increase, perhaps to dangerous levels.

Peru-Chile: Animosities dating from a war a century ago have recently sharpened and are generating much suspicion between Peru and Chile. There is some chance that border tensions and the efforts of both to modernize and expand their armed forces might accidentally trigger a conflict.

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Cuba: An increasing number of Latin American countries are considering reopening official ties with Castro. The OAS sanctions are likely to be violated more and more frequently.

Venezuela: The new government of President Perez is planning to accelerate the nationalization of oil and iron ore operations. A number of major US firms will be affected.

Bolivia: President Banzer faces threats both from the military and political groups. He will face a continuing struggle to maintain power.

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II. ONGOING NEGOTIATIONS

The Conference on Security and Cooperation in Europe (CSCE) is currently in recess. The second stage of the conference resumes on 2 September. The Soviets will soon be faced with the problem of making the minimum concessions necessary to bring it to a successful conclusion. They attach high priority to CSCE; other areas of detente may lag until the CSCE issues are resolved.

The Mutual and Balanced Force Reduction (MBFR): The fourth negotiating round begins on 16 September. Little progress has been made so far and the outlook seems to be for prolonged haggling, especially while CSCE has not been wrapped up.

The Law of the Sea Conference, currently meeting in Caracas, concludes this first session on August 29. There is now discussion that at least two more sessions will be necessary to draw up a treaty; the first of these probably will be in Vienna next spring.

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Diplomatic activity in preparation for the next phase of Middle East negotiations will be continued throughout August (including visits to Washington by senior Egyptian, Jordanian, and Syrian representatives). Presidents Asad and Sadat still have differences of their own to resolve, and something has to be done about Jordan's desire for disengagement measures along the Jordan River.

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SALT: The SALT talks, in recess since April, may resume in September, although no date has been set. The June summit failed to narrow significantly the gap separating the positions of each side, rendering unlikely an early agreement on the announced goal of a ten-year pact limiting strategic offensive weapons.

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China will expect further progress on Sino-US issues. Peking will be hoping the Ford administration moves ahead on settling the Taiwan issue. There probably will be early indications of Chinese interest in further discussions on US-Chinese issues.

Sino-Japanese negotiations on a peace treaty and trade pacts are underway. They may be intensified, but there are problems, among them the status of Japan's relations with Taiwan.

Philippine-US Base Agreements: President Marcos has recently been more flexible in dealing with the US, largely because he no longer needs to worry about political opposition. Negotiations over a new base agreement and a successor to the Laurel-Langley trade arrangement are proceeding slowly but are being conducted in a friendly atmosphere.

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Panama Canal Treaty: Panama's strongman leader, General Torrijos, is committed to completing a treaty with the US over the next year or so. He believes that talks are going well now and seems optimistic. But if there is any sign that Washington is losing interest in the negotiations or is less forthcoming, Torrijos may well create an incident in the canal area or take some other drastic action for purposes of refocusing world attention on his demands.

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III. UPCOMING EVENTS

An Arab summit conference had been scheduled for September 3 in Rabat. Sadat wants it postponed, preferably until after the Geneva conference, and has secured the agreement of key Arab states--including a grudging Syria--to delay it until mid-October. Sadat fears that such a conference would be a forum for attacking his policies and strategies in seeking a settlement, and would narrow his room for maneuver.

The Geneva conference is still expected by most Arab states in late September or early October. There is some fear that Israel will stall the negotiations, King Husayn says he will not attend without a Jordan River disengagement and a clear mandate to negotiate the return of the West Bank. Israel's continuing commitment to formal negotiations may be shaky.

Korea and the UN: The future of the UN Command and other matters related to the future of the US military/political presence in the peninsula are slated for discussion with the communist powers (and, inferentially, with North Korea) at this fall's UNGA. Failure to win communist acquiescence to a compromise on such issues might open the way for a bruising confrontation in the Assembly; a vote might easily go against the US/South Korean position.

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The World Population Conference, the first such conference ever to be held, meets in Bucharest, Romania, from August 19 through 30.

The 29th UN General Assembly begins in New York on September 17.

There will be a World Food Conference in Rome organized under the auspices of the United Nations November 5-16, 1974. It is expected that all members of the United Nations will attend.

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The Trade and Development Board of the United Nations Conference on Trade and Development will meet in Geneva August 20-September 13.

The substantive phase of the multinational trade negotiations under GATT will get under way this fall if US trade legislation is passed.

OAS meetings, tentatively set for November or later: The question of reestablishing relations with Cuba will receive priority attention. Serious consideration may also be given to possible restructuring of the OAS itself.

Meeting of Hemisphere Foreign Ministers, Buenos Aires, early 1975: The Latins will be looking eagerly for signs that Secretary Kissinger is committed to following up his pledge at Mexico City to continue a new dialogue. Cuba will be in the forefront here also.

Meeting of Presidents of Bolivarian States, Peru, December 1974: This meeting celebrates the important Battle of Ayacucho of the 19th century war of independence from Spain. Some effort may be made to develop a common front against the US on economic matters. A broader meeting of all Latin American presidents is scheduled to take place in Caracas after the first of the year; similar matters will be discussed there.

Surinam: Independence set for late 1975. Large US-owned bauxite holdings may come under pressure.

Nicaragua: Presidential election, September 1974. Efforts of strongman Somoza to extend his family's dynasty causing unrest.

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